

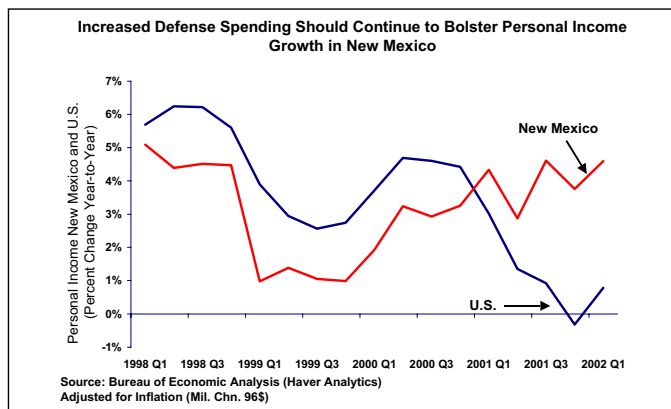
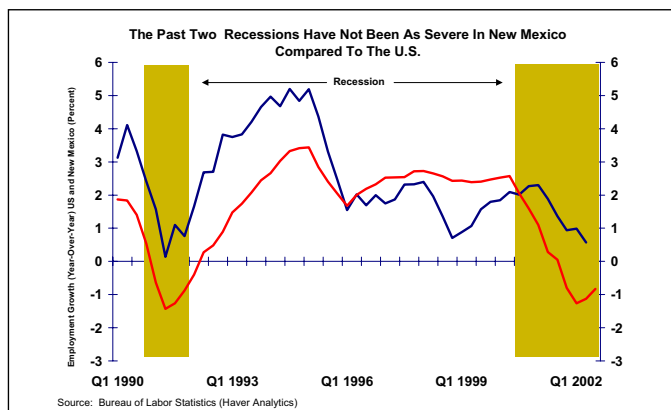
FDIC State Profile

WINTER 2002

New Mexico

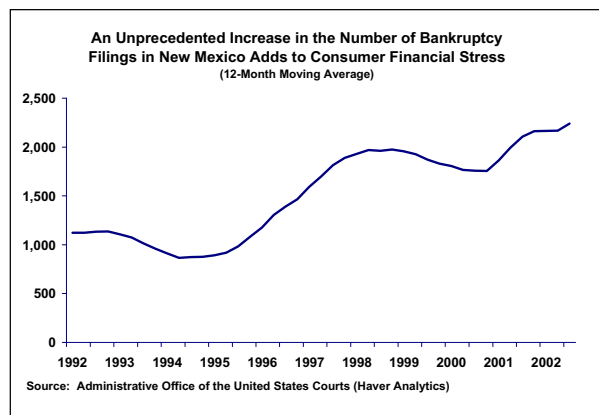
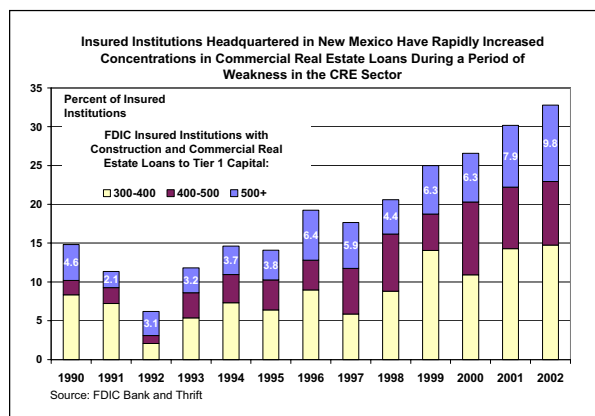
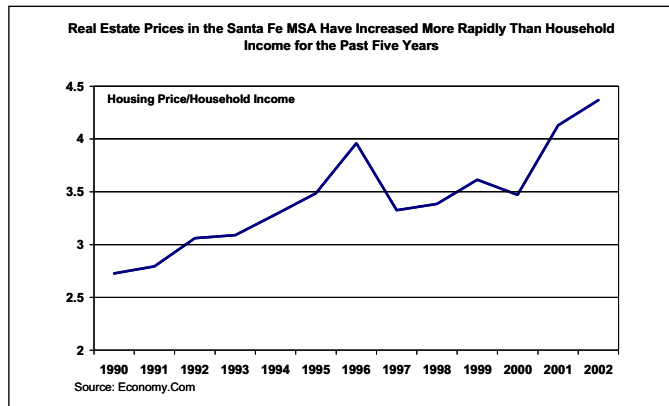
Employment growth in New Mexico has outpaced the U.S. in large part because of increased national defense spending.

- Job losses in New Mexico during the past two recessions have not been as sharp as for the nation. The **government employment sector** represents a major source of job growth for the state, particularly in light of the war on terrorism. The increase in employment in the government sector for July 2002 was three times as great in New Mexico (3.3 percent) as for the entire nation (1.1 percent). The significant concentration of defense-related industries helped the New Mexico economy weather the recent national recession; employment growth in the state never became negative.
- Recent enactment of the defense appropriations bill (\$355 billion) should bolster employment in New Mexico; five of the top 20 employers in New Mexico are tied to the national defense industry. The federal government employs over 30,000 workers in the state and wages totaled three quarters of a billion dollars in 2001.
- Personal income growth in New Mexico usually lags the U.S., but increased defense spending during the recession has contributed to a reversal in that trend (see **chart**).
- The mining sector has suffered more than any other industry during the recent recession. The mining sector has shed 10 percent of the workforce since the recession began, and the majority of these job losses occurred in smaller communities in New Mexico. Recently, **Phelps Dodge** closed the Chino open pit mine and smelters in **Hurley** and **Santa Rita**; these facilities represented dominant sources of employment.
- The once rapidly growing telecommunications industry in the **Albuquerque** MSA recently has been characterized by debt and excess capacity. Well-publicized problems at **MCI Worldcom**, **Qwest** and **Sprint** could negatively affect the Albuquerque economy because these companies employ a significant number of workers in this metro area.



Weakness in the commercial and residential real estate sectors could challenge credit quality among insured institutions headquartered in New Mexico.

- The increase in **Santa Fe** residential real estate prices has exceeded the growth in household income since 1997 (see **top chart**). As of June 30, 2002, the median cost of a home in Santa Fe was almost 4.5 times that of the U.S. average, making Santa Fe one of the most expensive metro areas in the Southwest. Housing starts have also trended higher, suggesting ample supply exists. If appreciation in home prices continues to outpace the growth in personal income, a housing price “bubble” could develop. Insured institution residential real estate credit quality could be vulnerable to some deterioration, particularly high loan-to-value or subprime loans.
- The commercial real estate (CRE) sector has weakened nationwide during the recent recession. The office vacancy rate in the Albuquerque MSA as of September 30, 2002, was 14.5 percent, up 80 basis points from 3 years ago. Despite the overall weakness in the CRE sector, insured institutions headquartered in New Mexico have increased CRE exposure to the highest level on record (see **middle chart**).
- Bankruptcy filings in New Mexico are continuing to rise with the growing consumer debt burden (see **bottom chart**). However, insured institutions headquartered in the state are reporting consumer past-due and charge-off rates within levels reported during the past several years. Going forward, should consumer debt levels continue to rise, bankruptcy rates likely will follow, placing additional pressure on insured institution consumer credit quality.



New Mexico at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98	Sep-97
Institutions (#)	52	52	51	55	56	56
Total Assets (in thousands)	15,778,345	14,659,736	15,099,823	15,917,042	11,591,770	10,926,678
New Institutions (# < 3 years)	6	7	6	7	4	2
New Institutions (# < 9 years)	12	11	9	8	5	3
Capital						
Tier 1 Leverage (median)	9.15	8.78	8.75	9.23	8.99	8.80
Asset Quality						
Past-Due and Nonaccrual (median %)	2.20%	2.44%	2.10%	2.01%	2.40%	2.51%
Past-Due and Nonaccrual ≥ 5%	9	7	4	4	6	3
ALLL/Total Loans (median %)	1.41%	1.31%	1.35%	1.37%	1.41%	1.39%
ALLL/Noncurrent Loans (median multiple)	1.66	1.37	1.83	2.18	1.96	1.61
Net Loan Losses/Loans (aggregate)	0.45%	0.52%	0.50%	0.44%	0.37%	0.37%
Earnings						
Unprofitable Institutions (#)	6	5	6	4	5	3
Percent Unprofitable	11.54%	9.62%	11.76%	7.27%	8.93%	5.36%
Return on Assets (median %)	1.25	1.20	1.44	1.33	1.37	1.40
25th Percentile	0.69	0.59	0.89	0.79	0.92	1.07
Net Interest Margin (median %)	4.86%	4.95%	5.43%	5.28%	5.36%	5.45%
Yield on Earning Assets (median)	6.93%	8.30%	8.86%	8.31%	8.80%	8.89%
Cost of Funding Earning Assets (median)	1.88%	3.28%	3.36%	2.98%	3.37%	3.51%
Provisions to Avg. Assets (median)	0.29%	0.26%	0.18%	0.18%	0.19%	0.10%
Noninterest Income to Avg. Assets (median)	0.90%	0.85%	0.83%	0.82%	0.90%	0.91%
Overhead to Avg. Assets (median)	3.57%	3.74%	3.76%	3.52%	3.62%	3.83%
Liquidity/Sensitivity						
Loans to Deposits (median %)	69.63%	67.85%	71.87%	69.23%	66.06%	69.76%
Loans to Assets (median %)	58.63%	56.77%	61.42%	59.99%	57.33%	59.52%
Brokered Deposits (# of Institutions)	5	4	3	6	4	6
Bro. Deps./Assets (median for above inst.)	2.29%	2.39%	5.63%	2.18%	1.76%	3.21%
Noncore Funding to Assets (median)	18.23%	17.69%	17.92%	19.58%	17.23%	17.12%
Core Funding to Assets (median)	70.27%	70.30%	71.42%	68.67%	72.06%	73.07%
Bank Class						
State Nonmember	33	33	32	31	32	33
National	15	15	16	20	19	19
State Member	4	4	3	4	5	4
S&L	0	0	0	0	0	0
Savings Bank	0	0	0	0	0	0
Mutually Insured	0	0	0	0	0	0
Asset Distribution						
\$0 to \$100 million	30	29	25	26	29	31
\$100 to \$250 million	12	14	17	17	16	16
\$250 to \$500 million	5	4	3	5	8	6
\$500 million to \$1 billion	2	2	3	4	1	1
\$1 to \$3 billion	2	2	2	2	2	2
\$3 to \$10 billion	1	1	1	1	0	0
Over \$10 billion	0	0	0	0	0	0
MSA Distribution						
	# of Inst.	Assets	% Inst.	% Assets		
No MSA	37	7,654,208	71.15%	48.51%		
Albuquerque NM	10	6,545,845	19.23%	41.49%		
Las Cruces NM	3	304,923	5.77%	1.93%		
Santa Fe NM	2	1,273,369	3.85%	8.07%		